

# SINGAPORE

In 1998, the U.S. trade deficit with Singapore was \$2.7 billion, an increase of \$344 million from the U.S. trade deficit of \$2.3 billion in 1997. U.S. merchandise exports to Singapore were \$15.7 billion, a decrease of \$2.1 billion (11.6 percent) from the level of U.S. exports to Singapore in 1997. Singapore was the United States' 10th largest export market in 1998. U.S. imports from Singapore were \$18.4 billion in 1998, a decrease of \$1.7 billion (8.5 percent) from the level of imports in 1997. The stock of U.S. foreign direct investment (FDI) in Singapore at the end of 1997 was U.S. \$ 17.5 billion, an increase of 24.9 percent from the level a year earlier. U.S. FDI in Singapore is concentrated largely in manufacturing (notably electronics, industrial chemicals and petroleum) and the financial sectors.

## IMPORT POLICIES

### Tariffs

Singapore imposes tariffs on only four categories of imported goods -- tobacco products, alcoholic beverages, automobiles, and gasoline -- for public policy and environmental reasons. Approximately 99 percent of Singapore's imports are not dutiable. During the Uruguay Round of multilateral trade negotiations, Singapore agreed to bind 70 percent of its tariff lines (up from 1 percent), compared to the United States, which has bound 98 percent of its tariff lines. The Uruguay Round Agreements entered into force on January 1, 1995. As an APEC participant, Singapore has also committed to eliminating all tariffs by 2010 (consistent with the agreed time frame for "developed economies") and to bind these commitments at the World Trade Organization (WTO).

## GOVERNMENT PROCUREMENT

Singapore initiated negotiations to join the WTO Government Procurement Agreement (GPA) in December 1995, and deposited its instrument of accession to the GPA on September 20, 1997. This instrument of accession entered into force for Singapore on October 20, 1997.

## EXPORT SUBSIDIES

The Government of Singapore maintains three export promotion schemes, available to both local and foreign firms, which are consistent with the World Trade Organization (WTO) disciplines governing subsidies; these are: the International Trade Incentives Program, the Double Taxation Deduction, and the Production for Export Schemes. Singapore has committed to phase out these programs by 2003, and has accepted no applications since 1997 for the production for export scheme. The Government does not employ multiple exchange rates, preferential financing scheme, import-cost-reduction measures or other trade-distorting policy tools.

## LACK OF INTELLECTUAL PROPERTY PROTECTION

The Singapore Government continues to take steps to improve levels of intellectual property rights (IPR) protection and enforcement, especially in connection with its goal of seeking foreign investment and promoting technology and information-based sectors of the economy. Piracy rates in Singapore are the lowest in Asia, however the piracy of copyrighted works -- especially those fixed on optical disks (music CDs, VCDs, and CD-ROMs) -- increased at unacceptable rates over the past several few years. Accordingly, Singapore remains on the Special 301 Watch List.

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Singapore is a member of the World Intellectual Property Organization (WIPO). Singapore acceded to the Berne Convention in September 1998, but is not a party to the Universal Copyright Convention. As a member of the World Trade Organization (WTO), Singapore is obligated to implement the Agreement on Trade-Related Intellectual Property Rights (TRIPs), but delayed implementation of those obligations by availing itself of the transition period available to developing country members. However, Singapore has made early implementation of TRIPs a priority and has stated that its IPR regime will be fully TRIPs compliant upon entry into force of laws governing trademarks, geographical indications, and layout designs of integrated circuits (expected by mid-1999).

In 1987, following close consultation with the U.S. Government, Singapore enacted strict, comprehensive copyright legislation which relaxed the burden of proof for copyright owners pressing charges, strengthened civil and criminal penalties and made unauthorized possession of copyrighted material an offense in certain cases. In 1994, Singapore enacted a new Patents Act. Amendments making the patent law fully TRIPs-consistent came into effect in January 1996.

Since the mid-1990s, copyright piracy rates have continued to climb, in part because of the inadequacy of the current "self-help" system whereby private IPR owners are expected to police the marketplace for infringement of their rights, collect evidence of infringement, obtain warrants to perform searches and seizures, etc. Singapore law enforcement authorities in the past have been unwilling to initiate independent enforcement actions. However, 1998 witnessed a number of developments intended to address commercial-scale piracy in Singapore and further strengthen levels of IPR protection. Singapore has enacted amendments to its copyright law (January 1998) and amended the trademark law (November 1998) with the intent of making both TRIPs-consistent.

Singapore imposed new licensing requirements and import controls on the local optical disk (OD) manufacturing industry in April 1998. It also orchestrated the creation of "code of conduct" for OD manufacturers, although the elements in the code of conduct are voluntary and not legally enforceable. Singapore also dramatically increased the number and scope of police-initiated raids, resulting in the arrest of local syndicate leaders and the seizure of nearly 750,000 illegal optical disks in two major operations in August and October 1998. Nevertheless, the retail availability of pirated CDs, VCDs and CD-ROMs continue to be a problem. Singapore authorities believe that a major proportion of retail piracy is the result of imported goods; however not made border enforcement of intellectual property rights a priority. IPR associations also urge the Government to create an independent IPR enforcement police force, apart from the existing IPR warrant unit, and for the enactment of even stronger laws and regulations to protect IPR, including the mandatory use of source identification (SID) codes. Other outstanding issues include the lack of rental rights for sound recordings and software, inadequate protection against making bootleg copies of musical performances, the limited scope of copyright protection for cinematographical works and overly broad exceptions from copyright protection. The Government, however, has drafted additional amendments to the copyright law which could address these issues.

Recent industry estimates indicated software piracy losses in Singapore of U.S. \$56.6 million in 1998, about the same level as in 1996, but up from U.S. \$40.4 million in 1995 and U.S. \$37.3 million in 1994. Singapore's piracy rate was estimated to have declined to 56 percent in 1997, from 59 percent in 1996, compared to 53 percent in 1995 and 61 percent in 1994. In the area of music CDs, it is estimated that piracy rose sharply from 12 percent in 1994 to nearly 30 percent in early 1997, but declined to an estimated 19 percent in 1998.

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### **SERVICES BARRIERS**

#### **Basic Telecommunications**

Singapore's telecommunications industry has been steadily liberalized since 1989, although the Government still imposes limits on the number of telephone service providers in the country. Restrictions on the sale of telecommunication consumer goods and the provision of value-added network services (VANS) have been lifted. Singapore Telecom (SingTel) has been privatized, and its regulatory functions assumed by the Telecom Authority of Singapore (TAS). The Government ended SingTel's monopoly in April 1996 when TAS awarded a license to a second cellular phone service provider (a foreign-Singapore joint venture) and three new paging service providers.

Singapore has committed to all regulatory principles in the WTO Basic Telecom Agreement reference paper. It made comprehensive market access commitments in basic services but excluded resale via leased lines connected to the public switched network, for domestic and international services. Foreign equity limits were liberalized to allow foreign stakes of up to 49 percent for direct, and 73.99 percent for indirect, investment. In line with its WTO commitments, the TAS issued a license to a new joint venture basic telephone service provider ("Starhub") in April 1998, to begin operation in April 2000. At the same time, it issued a third cellular phone service provider license to a foreign joint venture company. TAS has announced that it will eliminate all numerical quotas on telecom service providers, and consider issuing additional basic telephone service licenses, in 2002.

#### **Legal Services**

At present, foreign law firms may set up offices in Singapore to advise clients only on the laws of their home country or international law. No foreign university law degrees, with the exception of some British universities, are recognized for the purpose of admission to practice law in Singapore. Foreign law firms are also not permitted to hire or form partnerships with Singaporean lawyers to practice local law in Singapore, although they may enter into operational agreements with local firms on a project by project basis.

In 1998, however, the Singapore Law Society approved a partnership arrangement between a major U.S. law firm and a local law firm. Moreover, a Government-appointed committee chaired by the Attorney General is soon expected to issue a report recommending that restrictions on foreign access to the legal services sector be relaxed, especially in the area of local banking and corporate law. This measure would be intended to enhance Singapore as an international financial and business center. There are currently more than 60 foreign law firms practicing in Singapore.

#### **Engineering and Architectural Services**

Singapore amended its laws in April 1995 to allow engineering firms to be 100 percent foreign-owned. However, the chairman and two-thirds of the board of directors must comprise engineers, architects, or land surveyors registered with local professional bodies. Professional engineering work in Singapore must be under the control and management of a director of the corporation who is a registered owner of at least one share of the corporation, who is a registered professional engineer ordinarily resident in Singapore and who has a valid practicing certificate. In the case of a partnership, only registered engineers may have a beneficial interest in the capital assets and profits of the firm, and the business of the partnership must be under the control and

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management of a registered professional engineer who ordinarily resides in Singapore. Similar requirements apply to architectural firms.

### **Accounting and Tax Services**

Public accountants and at least one of the partners of an accounting firm must be effectively reside in Singapore. Only public accountants registered with the Public Accountants Board of Singapore can practice as tax consultants.

### **Insurance**

Singapore has determined that the local insurance market is saturated. As a result, no new licenses for foreign or domestic firms seeking access to Singapore's insurance market had been issued for several years up to 1995. In 1996 and 1997, however, new licenses were issued to two foreign-invested companies which fulfilled a perceived market need in the area of specialized financial guarantee insurance.

The Monetary Authority of Singapore (MAS), the country's central bank, currently limits foreign equity stake in domestic insurance companies to less than 50 percent. The existing branch operations of foreign firms and outstanding foreign stakes in domestic firms above the 49 percent limit are protected, however, under Singapore's WTO financial services offer. Reinsurance licenses, allowing companies to tap the regional market from Singapore, are freely available to new entrants. Captive insurance licenses are also available to subsidiaries of multinational companies to underwrite their own risks.

### **Banking and Securities**

The MAS has not issued new licenses for local retail banking over the past two decades to either foreign or domestic institutions because it considers Singapore's banking sector to be saturated. As it stands, foreign penetration of the banking system in Singapore is comparatively high, with foreign banks currently holding 22 of the 34 full (local retail) banking licenses. They account for almost half of all nonbank deposits from residents, more than half of all nonbank loans to residents, 70 percent of total trade financing business in Singapore, and 60 percent of banking profits.

However, Singapore does impose some restrictions on full-licensed foreign banks that restrict their market access in retail banking. Unlike local banks, foreign banks cannot open new branches, freely relocate existing branches nor operate off-premise automated teller machines (ATMs), although they are permitted to install electronic terminals at their corporate clients' premises as well as provide home banking services through telephone and personal computers. In addition, foreign equity share in full-licensed domestic banks are restricted to an aggregate 40 percent. The MAS, however, continues to encourage the growth of the offshore banking industry and the Asian dollar market in Singapore, in which U.S. and other foreign banks have a substantial presence. The lending limit for offshore banks to Singapore-based firms was recently raised from S\$200 million to S\$300 million.

In the securities area, foreign brokerages generally have the same right to establish and offer financial products as do domestic firms with respect to government securities, unit trusts and financial futures. There are restrictions, however, on the extent to which foreign stockbroking firms can trade in the equity securities markets for Singapore resident clients. Current stock exchange regulations restrict foreign equity ownership of exchange member companies to 49 percent, with the exception of two joint ventures approved prior to 1990

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and the special category of "international members" which are wholly foreign-owned stockbroking companies in the Stock Exchange of Singapore (SES). While authorized to trade for non-resident clients, these SES international members (currently numbering six) are permitted to trade Singapore Dollar denominated securities for resident clients only if the transaction value per contract is S\$5 million or above. SES international members also may not vote in an election of members to the SES board of directors.

In 1995, the SES created a category of "approved foreign brokers" (AFB) who are permitted to trade only non-Singapore Dollar denominated stocks on the exchange. All other foreign stockbroking firms licensed in Singapore (SES "non-member companies") must trade local securities through SES members. Ongoing reforms in the financial services sector are expected eventually to permit foreign majority ownership of local SES member companies as well as phase out the AFB category in order to erase the distinction between Singapore and non-Singapore Dollar denominated stocks.

### **ELECTRONIC COMMERCE**

There are no significant barriers hindering the development and use of electronic commerce (e-commerce) in Singapore. To the contrary, the Government is actively promoting e-commerce, launching a national master plan in 1998 to transform Singapore into an e-commerce hub in Asia. The Electronic Transaction Act, which came into force in July 1998, provides the legal foundation for e-commerce transactions. In terms of infrastructure, "Singapore One" -- which will connect homes, schools, offices and libraries in a nationwide broad bandwidth and high speed Internet network -- is scheduled to be in place by the end of 1999. The Government expects the Singapore One network to facilitate the widespread use of e-commerce in the country. Singapore is also actively working to harmonize cross-border e-commerce laws, policies and infrastructure with other countries bilaterally and through international fora like APEC. U.S. multinational corporations, have recently established e-commerce centers in Singapore.

### **OTHER BARRIERS**

Singapore is well-regarded for its strong stand and track record against corruption in government and business. In international surveys, Singapore is regularly identified as among those countries with the lowest levels of corruption. When cases of corruption are uncovered, the authorities deal with them strictly, swiftly and publicly. The Prevention of Corruption Act and the Corruption (Confiscation of Benefits) Act provide the legal basis for government action by the Corrupt Practices Investigation Bureau (CPIB), a division that operates directly under the Prime Minister's office. These laws cover acts of corruption by citizens of Singapore at home and abroad.

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